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Includes PSD Changes: No
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Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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CONGRESSMEN CRITICIZE USABIAGA FOR SUGGESTING THAT FARMERS STOP PRODUCING CORN

Congressmen of the Institutional Revolutionary Party (PRI), Democratic Revolution Party (PRD) and the Labor Party (PT), criticized the Secretary of Agriculture, Javier Usabiaga, for his remarks recommending that Mexican farmers stop producing corn. They accused him of being irresponsible, lacking social sensibilities and maintaining a defeatist position before defining an agricultural policy that allows farmers to compete against big producers, particularly from the United States. (Source: *La Jornada*, 6/9/04)

FARMERS: USABIAGA SHOULD REVIEW HIS RECORDS TO SEE IF HE IS MEXICAN

Corn producers requested that the Secretary of Agriculture, Javier Usabiaga-Arroyo, review his birth records to check if he is really Mexican after the Secretary's warning that Mexico should reduce corn production. Offended by the Secretary's posture, producers of the Agricultural National Confederation of Mexico's Corn Producers and of the Agricultural National Council pointed out that Mexico wouldn't stop sowing the grain. (Source: *La Jornada*, 6/8/04)

LOW BEEF PRICES BENEFIT MEXICAN CONSUMERS

According to a local newspaper, Mexican industrialists and meat exporters from the United States indicated that despite the reopening of the Mexican market to imports of boneless beef, the gradual prices have attained a level that benefits the consumer. The stability that was evident prior to the closing of the borders to beef imports due to BSE has not yet been attained. (Source: *Reforma*, *El Financiero* and *Milenio*, 6/9/04)

TRADE CONFLICT WITH THE UNITED STATES DUE TO MEAT PRODUCTS

According to a local newspaper, the Secretariat of Economy (SE) initiated an antidumping investigation on imports of pork legs (hams) from the United States, because pork producers from the United States are selling pork legs under the cost of production. SE indicated that imports of pork legs have increased above normal levels causing displacement of national production and thereby affecting the pork industry. (Source: *El Financiero*, 6/9/04)

THE FUTURE OF MANY MEXICAN FIRMS IS IN EXPORTS

According to a study by Economic Commission for Latin America and the Caribbean, the future of small and medium-sized companies is no longer in the internal market, but in their capacity to export to niche markets such as the "nostalgia market," since the 35 million Latins residing in the United States are a natural market for the demand of traditional products from their countries of origin. (Source: *El Financiero*, 6/9/04)

SUPREME COURT VERDICT IN FAVOR OF MEXICAN TRUCKERS

The U.S. Supreme Court decided on June 7, 2004, that the U.S. Government can open their national roads to Mexican trucks when they wish to, without an environmental study. This verdict was based on technical considerations. The Court further said that the President has the authority to open the border, and the federal agency responsible for the security of the trucks has no authority on the issue. The environmental study could have slowed down, but not block, the border opening to Mexican trucks. The White House has already authorized the entry of trucks. (Source: *El Norte*, 6/8/04)

MEXICAN TRUCKER SUES THE UNITED STATES

According to a local newspaper, Guillermo Berriochoa became the first Mexican to sue the United States for non-fulfillment of the NAFTA concerning transport. The businessman and his company, Ameriquid, alleged high costs for load transfers at the border caused him to go bankrupt. When that happened, Berriochoa went to the courts in Washington to file suit against the United States for loss of patrimony and non-fulfillment of a signed agreement between both countries. (Source: *El Economista*, 6/9/04)

BEER IS LEADING ALCOHOLIC DRINK IN MEXICO

Beer accounts for 71 percent of alcoholic drinks consumed in Mexico. After beer, brandy at nine percent is a distant second, and tequila at eight percent is an even more distant third. Since the economic crisis of 1994/95, beer consumption has increased every year, while that of distilled spirits has decreased. Tequila consumption had dropped mainly due to its ever-increasing price. About two-thirds of alcoholic beverages are consumed by the wealthiest 40 percent of Mexicans. However, their overall alcohol consumption has been falling, while beer consumption has been increasing among middle and lower class Mexicans. (Source: *Notiabasto*, 6/1-15/04)

HEB SUPERMARKETS POSE STIFF COMPETITION FOR WAL*MART IN NORTHERN MEXICO

HEB Supermarkets, headquartered in San Antonio, Texas, is more than holding its own against Wal*Mart in Northern Mexico. HEB's strategy is to offer a wide range of products targeted specifically towards Northern Mexico's consumers. It plans to double its 20 stores, mostly in Monterrey, within five years. Wal*Mart has not given up the Northern Mexico market by any means, as it is one of the most lucrative markets in the country. Average income in Monterrey is more than double the national average. Wal*Mart projects opening 63 new stores in Mexico in 2005. (*El Financiero*, 6/10/04)

TOURISM SURGE IN MEXICO

Tourism spending increased 15 percent (to US\$3.9 billion) in the first four months of 2004, as compared to the same period in 2003. American tourists who took advantage of a resurgent U.S. economy and an increase in US-Mexico flights led the surge in tourism. Tourism injected US\$1.05 billion into the Mexican economy in March 2004, exceeding a billion dollars in a month for the first time. Overall, tourism spending is expected to increase 11 percent in 2004, to US\$10.5 billion. (*El Financiero*, 6/9/04)

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